

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 EB-11 COME-00 CIAE-00 INR-10 NSAE-00

RSC-01 RSR-01 AGR-20 TRSE-00 DODE-00 /058 W

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P 240950Z JUL 73

FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 466

C O N F I D E N T I A L PEKING 0639

E.O. 11652: GDS

TAGS: ETRD, CH

SUBJ: PRC INQUIRY FOR US TALLOW

1. FRANK SHEWER, VICE PRESIDENT OF PASTERNAK, BAUM, AND COMPANY, NEW YORK, CALLED AT USLO JULY 24 TO REPORT ON TALKS HE HAS BEEN HOLDING SINCE JULY 21 WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS CORPORATION. IN THE COURSE OF THESE DISCUSSIONS, HE HAS RECEIVED A FIRM INQUIRY FOR 10,000 TONS OF US TALLOW, WORTH ABOUT DOLS 4 MILLION AT CURRENT PRICES. SHEWER BELIEVES THE CHINESE WILL WANT MORE THAN THIS, PERHAPS AS MUCH AS 10,000 ADDITIONAL TONS BETWEEN NOW AND THE END OF THE YEAR.

2. SHEWER WOULD LIKE TO RESPOND TO THIS INQUIRY WITH A CONCRETE OFFER OF 10,000 TONS. HE BELIEVES THIS WOULD PAVE THE WAY FOR AN ONGOING BUSINESS RELATIONSHIP WITH THE PRC. HOWEVER, WITH TALLOW NOW SUBJECT TO EXPORT CONTROLS, HE IS UNCERTAIN THAT HE COULD OBTAIN A LICENSE TO SELL THE COMMODITY TO CHINA, PARTICULARLY SINCE THE PRC HAS NOT PURCHASED TALLOW FROM THE US BEFORE. THUS SHEWER WOULD PREFER TO LEAVE PEKING WITHOUT DOING BUSINESS, RATHER THAN RISK EMBARRASSMENT OF SIGNING A CONTRACT ON WHICH HE MIGHT BE UNABLE TO DELIVER.

3. IN THESE CIRCUMSTANCES, SHEWER HAS ASKED USLO IF WE COULD OBTAIN GUIDANCE FROM WASHINGTON WHICH MIGHT ENABLE HIM TO PROCEED WITH AN INITIAL 10,000-TON DEAL, OR AT LEAST PERMIT HIM TO DISCUSS WITH SOME DEGREE OF CONFIDENCE THE POSSIBILITY OF

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MAKING AN OFFER TO THE PRC AT A LATER DATE. USLO WOULD APPRE-

CIATE ANY INFORMATION WE COULD CONVEY TO MR. SHEWER TO
FACILITATE HIS EFFORTS PRIOR TO HIS DEPARTURE FROM PEKING IN
THREE OR FOUR DAYS.

4. AS IS SO OFTEN THE CASE, SHEWER HAS BEENMUCH IMPRESSED
WITH CHINESE KNOWLEGGE OF INTERNATIONAL MARKETS, EVEN THOSE IN
WHICH THEY HAVE NOT DEALT BEFORE. HE ALSO FINDS THEIR
COMMERCIAL INTELLIGENCE VERY GOOD. ALTHOUGH HIS FIRM IS NOT ONE
OF THE LARGER US COMMODITY BROKERS, THE CHINESE SOUGHT HIM OUT AND
HAVE DEMONSTRATED DETAILED KNOWLEDGE OF HIS COMPANY.
BRUCE

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